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Brazil

Fresh Deciduous Fruit

Drought Affects Apple Production in Southern Brazil 2005

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Report Highlights:

The drought situation in southern Brazil has affected 25% of the Brazilian apple crop so far in 2005, with a total decrease in production of 15% over 2004. Exports are expected to decrease by 50% relative to last year's numbers. Domestic apple prices are increasing, and substantial losses are expected in the Fuji harvest, which has just begun in southern Brazil.

Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
Brasilia [BR1]
[BR]

The worst drought in over 40 years in southern Brazil is having a widespread impact on agriculture on the region and is generating severe economic losses in the three Brazilian apple-producing states. The drought has impacted post projections for 2005, and new 2005 estimates are included in the chart below. Lack of rain has caused apple losses of between 25% and 30% in Santa Catarina and 40% in Rio Grande do Sul (total Brazilian losses are estimated to be 35%). Brazilian production for 2005 is now expected to reach 720,000 MT, 15% below last year's harvest. The crop has suffered various climatic problems throughout the production year, including injuriously cold temperatures and hail in 2004, followed by the current drought during the past months. The drought also exacerbated diseases such as russetting and apple scab (*Venturia inaequalis*) and has caused a reduction in the quantity and size of the fruit.

With respect to exports, industry experts are expecting a 50% drop in exports from last year's 153,043 MT, and post is altering its 2005 forecast of exports from 90,000 to 75,000 MT. This is due to short supply and the shortage of apples of premium size and export quality. Europe, which is the buyer of 90% of all Brazilian apple exports, benefited from a better harvest this year and was already expected to reduce its imports. Industry sources expect that the drop in exports, in conjunction with a drop in quality fruit available for processing, will not affect domestic supply too severely, but fruit on the Brazilian market will be small.

Imports are not anticipated to rise as a result of the short supply, since Brazil's main source of exports, Argentina, is dealing with problems with codling moth (*Cydia Pomonella*) and inspection issues mentioned in last month's annual report.

Domestic prices are expected to be significantly higher this year as a result of the supply shortage. One apple packer, who happens to have more trees in production this year, is expecting to increase his revenues by 25% to 25 million Reais (\$9.2 million) due to higher market prices. According to the Santa Catarina Department of Agriculture (ICEPA), the price for an 18-kilo box (40 pound) box of Fujis, which will begin to be picked this week, is on average selling at \$15 dollars wholesale, about 20% over the price of Fujis during the same month in 2004.

The Brazilian apple harvest is progressing ahead of schedule, partly due to the lack of rainfall. Gala picking in Brazil has finished, and 580,000 MT were harvested in contrast to the 989,000 harvested in 2004, registering losses of 25% for the Gala crop in total. The Fuji harvest is just beginning in the last week of March, with more losses expected relative to those of the Galas. The 2004 Fuji crop totaled 348,000 MT, and this year's Fujis are not expected to surpass 135,000 MT. The apple industry has petitioned the government to reschedule its debts this year, and this request is now being analyzed by the Brazilian development bank (BNDES).

Year	2000	2001	2002	2003	2004	2005 Forecast	
						Old (2/05)	New (3/05)
Production	967,063	705,515	857,340	842,300	970,000	850,000	720,000
Imports	43,651	80,374	53,487	42,363	42,478	45,000	48,000
Exports	64,480	35,786	65,927	76,466	153,043	90,000	75,000
Estimated Consumption	946,234	750,103	844,900	808,197	830,000	720,000	690,000

Source: Office of Agricultural Affairs (OAA), based on interviews with trade sources.